

N E W S R E L E A S E

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California Grocer Pays \$1.5 Million for Tax Evasion

SACRAMENTO - A \$1.3 million restitution check is being turned over to the state Employment Development Department (EDD), concluding an investigation of tax and workers' compensation fraud that began nearly six years ago. It is part of an overall \$1.5 million in restitution owed by the owners of a San Jose grocery.

"Tax fraud and workers' comp fraud are not victimless crimes. We're all victims," said EDD Director Patrick Henning. "When individuals and businesses cheat on their taxes, the state has less revenue for schools and public safety and all of its programs. In addition, businesses that engage in fraud gain an unfair advantage over their law abiding competitors who pay their taxes and workers' compensation premiums."

"At EDD, we give top priority to ensuring that all Californians pay their fair share of taxes. In this case, we quickly followed up on a tip from an employee of Senter Foods and began cooperating with other agencies, the Insurance Commissioner, the Franchise Tax Board and the Santa Clara District Attorney. Thanks to the cooperation of all these agencies, the case culminated in guilty pleas and jail time for the owners of Senter Foods – the payment of \$1.5 million in taxes to EDD, restitution to insurance carriers for the workers' compensation premium fraud, and money to FTB for the income tax fraud."

The Senter Foods employee told EDD that the grocery was paying employees partly by check and partly in cash. EDD Tax Enforcement investigators followed up on the tip and discovered that the cash payments were not reported to EDD, allowing the owners to avoid payroll taxes. EDD alerted the Department of Insurance, which investigates workers' comp fraud, about the case since businesses that cheat on taxes are also likely to cheat on workers' compensation. Investigators discovered that the grocery owners underpaid their workers' compensation premiums.

During a search, investigators found \$165,436 in cash scattered throughout the owner's home. That money is being turned over to EDD as part of the \$1.5 million in restitution.

In May 2005, Henry Ly, owner of Senter Foods, and his wife, Hung Kien Vong, pleaded guilty to several felony charges. Each was sentenced to 14 months in jail and ordered to pay restitution.

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